

Hampshire Fire and Rescue Authority

Efficiency Plan

Introduction

On 24 May 2016, the Minister for Policing, Fire, Criminal Justice and Victims wrote to chairs of fire and rescue authorities to offer a firm four-year funding allocation to 2019/20 if certain conditions are met, including the publication of an Efficiency Plan by 14 October 2016 (Appendix A).

Subsequently chairs received a letter from Daniel Grieves (Director, Fire & Resilience) on 1 August 2016 requesting all authorities to complete the template at Appendix B by 14 October 2016. The template includes forecasts of revenue costs, revenue funding, capital expenditure, capital financing and the levels of reserves. This can be populated directly from the Medium Term Financial Strategy, when approved.

Background

Hampshire Fire and Rescue Authority (HFRA) has always demonstrated strong leadership on financial management issues and this has served it well in managing the significant financial challenge since the period of austerity began.

During the period of the Spending Round 2010, the HFRA implemented a savings and efficiency plan that generated £6 million to close the forecast budget deficit by the 2014/15 financial year.

Even before this savings programme was implemented, a significant piece of work was put in train to start to develop the next major phase of savings and efficiencies that would close the estimated £16m gap by the end of the decade. This includes major reforms to service delivery and professional services in order to continue to operate to a high standard within the challenging financial position.

Following the local government finance settlement in December 2015 and the planning assumption of council tax increases of 1.99% every year agreed by the HFRA, it is estimated that the current phase 2 savings plan would leave a remaining deficit in the order of £1.75m. A breakdown of the phase 2 savings is shown at Appendix C and the estimated funding gap after including phase 2 savings is shown at Appendix D.

The HFRA already has a phase 3 savings programme in development which is expected to close the remaining gap of £1.75m savings by the end of the decade and in addition provides a small element of contingency which could be used to offset any under-delivery of savings or preferably to invest in capacity for service improvement. A breakdown of the phase 3 initiatives is shown at Appendix E.

The HFRA is committed to reform and ensuring that the public of Hampshire continue to receive an excellent service. The added security of locking into a financial settlement published by Government for the HFRA for the next four years would help the HFRA to plan for the changes necessary to deliver a high quality of service that optimises the resources available. This efficiency plan will be submitted to Government to facilitate this.

The plan will be submitted for formal approval by the HFRA in September and will be published on the HFRA's website in order to invite comments from residents on its content.

Benefits for the local community and Hampshire Fire and Rescue Authority

The Efficiency Plan is centred on two key strands of work that deal with the operational efficiency of front-line service delivery, together with the back-office support functions that underpin them. The two major pieces of work are:

Risk Review and Service Delivery Redesign

The Risk Review has been the most comprehensive integrated risk management review that has been carried out in many decades. As a result, a new operational delivery model has been designed that better covers those risks whilst reducing the revenue costs for the services provided. This extensive review was carried out over a 2 year period up to September 2015. At this point the HFRA consulted on the range of options being considered and sought the views of all residents, staff and stakeholders in order to shape the final proposals.

The final proposals, which incorporated much of the consultation feedback, was approved at a meeting of the HFRA in February 2016. It is currently being implemented as a separate programme named Service Delivery Redesign.

Service Delivery Redesign is a programme pulling together a range of projects and changes to how Hampshire firefighters work and deliver services to the community. These projects are focused on adopting new technology and practices where that adoption will improve the performance of the organisation. The priority has been to improve services and to make Hampshire even safer, however, the combination of new technology and practices will make the service more sustainable and reduce the operating costs of Hampshire Fire and Rescue. We are also exploring how we can generate income through working with other agencies, such as building shares or co-responding for the ambulance services, but also in developing business opportunities in new areas of work. It is planned at the end of the programme that we will have improved our attendance times and reduced the time to extinguish fires, whilst reducing the cost of the service. Full details of the changes can be found at the link below:

<http://www.hantsfire.gov.uk/EasySiteWeb/GatewayLink.aspx?alId=13820>

Professional Services Re-Design

In 2014, the HFRA entered into a ground breaking partnership with Hampshire Constabulary and Hampshire County Council in providing a range of support functions to all three organisations.

This enabled the creation of a single directorate dealing with professional services that covered the remainder of the support functions for the HFRA. A fundamental review called the professional services redesign examined all of these support functions and has resulted in a more efficient and streamlined structure covering four areas:

- Communications, Administration and Inclusion
- Information and communications technology

- Technical Services (Fleet management and maintenance, Stores and Logistics)
- Property and estates
- Health, Safety and Environment Knowledge management

As part of the professional services redesign project the structure and delivery of each of these areas has been reviewed to maximise both efficiency and effectiveness in supporting the new service delivery model and at the same time achieving improvements in service whilst making savings of almost £1.4 million. This builds on a previous exercise to reduce the costs of support areas and worked on the principle of making efficiencies early in order to help preserve front line services.

The restructure within Technical Services has allowed capacity to be released, which has enabled enhanced partnership working with other fire and rescue services and blue light partners.

Cashable savings and timetable for delivery

The full list of phase 2 savings that are expected to be delivered over the current spending review period are contained in Appendix C. It shows that overall £10.2 million of savings are expected to be delivered from phase 2 with over £5m already delivered as part of setting the 2016/17 budget.

The majority of the remaining savings, with the exception of Service Delivery Redesign, will be secured by the 2017/18 financial year. Service Delivery Redesign by its nature is more complex and is being deliberately pushed back to the end of the current spending review period. This is a deliberate policy following further consultation with staff, unions and other parties that will allow for greater natural turnover in the workforce, provide more time for training and aligns with the timescales for replacing existing vehicles. In addition, the phased roll-out will mean we can learn as we go and will allow us to make appropriate adjustments to the delivery model based on a piloting/evaluation implementation.

It is recognised that the greatest risk within the phase 2 savings plan is associated with the non-delivery or late delivery of the Service Delivery Redesign project. This is the single biggest savings item within the plan and the most complex area that we have left to deliver. Therefore strong programme and project management is in place to over see this implementation, resources are being drawn from the revenue reserves and oversight and scrutiny is being provided by the Performance Review and Scrutiny Committee of the Authority.

In terms of overall financial mitigation, the current predicted deficit including the full phase 2 savings plan is £1.75m and early indications from the phase 3 savings plan is that this will deliver circa £2.2m over the next four years. This provides an adequate financial buffer in the event that the Service Delivery Redesign savings are either delayed or unavoidably reduced in value.

Furthermore as part of the medium-term financial plan, the HFRA has been building up its revenue contributions to the capital programme which for 2016/17 stand at over £2m per annum rising to £3.0m by 2020/21. At this point in time the capital programme is fully funded by existing resources up until 2020/21 and therefore if

necessary, it would be possible to reduce the revenue contributions to capital to fund any temporary shortfall in the delivery of savings.

In addition to this, the HFRA holds reserves that could be used to bridge temporary funding gaps whilst new long-term saving measures are put in place.

Increasing Collaboration

Hampshire Fire and Rescue Authority has one of the most enviable track records in respect of collaboration with partners. The efficiency plan builds on these very strong relationships to improve services and make savings as part of the overall medium-term financial plan.

Some of the key collaboration areas include:

- The first shared headquarters building between fire and police anywhere in the country. This will be further developed to include shared command training and conferencing facilities and a joint fleet maintenance workshop that is also currently also used by Royal Berkshire Fire and Rescue Authority
- The use of fire stations as shared space for police and ambulance colleagues, who are able to use the facilities as either their permanent base or reporting points as part of the rationalisation of police and ambulance assets. This in turn produces revenue income to the HFRA and significant savings to the public purse when considered across all public sector partners.
- Enhancing and improving the co-responder service with our partners South Central Ambulance Service (SCAS), which provides faster response times to health incidents, immediate treatment where firefighters are able to do so and reducing the demand impact on an already stretched ambulance service within the county of Hampshire.
- Working with health and social care partners to identify and target vulnerable people and to undertake low-level interventions that keep vulnerable people out of the health and social care system. Thereby making significant savings to the public purse as a consequence whilst improving the quality of life for those members of the community.
- The introduction of a shared service centre (another first for the country) in collaboration with two other strategic partners (Hampshire County Council and Hampshire Constabulary). This has streamlined back-office functions through the use of self-service across all three organisations on a single SAP platform and includes other professional services such as property services and procurement which have bought additional capacity, skills and expertise to the HFRA in these areas and is expected to make a financial contribution to the efficiency plan over the medium-term.
- Implementing a strategic partnership with the Isle of Wight (IoW) Fire and Rescue Service which includes strategic leadership and management. This has made savings for the IoW Council and has generated an income for HFRA, at the same time the strategic partnership as providing additional capacity and resilience to an island-based fire service which faces different challenges and issues to those on the mainland.

The shared headquarters building with police is creating a closer relationship which assists with identifying other opportunities for closer working between fire and police. The senior teams of both organisations have been looking at further areas of the two services that could be rationalised, making savings for both organisations through more effective use of the resources that are available.

Flexible Working Practices

Hampshire Fire and Rescue Service have already been at the forefront of innovative new ways of working and ensuring that staff resources are used as effectively as possible. This includes allowing watches to design and manage their own rostering and availability systems and enhancing the use of RDS capability to augment wholtime resources where appropriate. This has been done collaboratively with the full involvement of local unions.

The new service delivery model that is being introduced as part of Service Delivery redesign includes a fundamental review of the crewing arrangements based on the risks that are faced across the county, which have resulted in changed arrangements for staff across all 51 fire stations.

More information on this operating model can be found on page 5 of the risk review document via the link above. The Medium Term Financial Strategy is also fully aligned with the Workforce Strategy.

Use of Reserves

The HFRA has followed a clear strategy on the use of reserves since the period of austerity began. This has involved:

- Planning well ahead of time to ensure that savings programmes are delivered to agree timescales
- Delivering savings in advance of need, which in turn provides spare resources in the form of reserves
- Using those reserves to fund capital investment and transformation activity in order to fund the cost of changes associated with delivering the next phase of savings.

Significant contributions have been made to both the Capital Payments Reserve and the Transformation Reserve over the last five years. These have been used to deliver appropriate changes across the service in order to release efficiency savings.

The Service Delivery Redesign project is a significant piece of work involving significant change to operational vehicles and other equipment together with a dedicated team of staff who will deliver the implementation process across all 51 fire stations.

Funding from the transformation reserve in the order of £3.5m has already been approved by the HFRA to fund this transformational activity. The HFRA has also put in place the option of a voluntary redundancy programme, should it be needed. This is a far more effective and sensitive method for reducing staff numbers across the

service whilst minimising the impact on the staff themselves and maintaining the morale of the workforce.

Performance Information and Reporting

The HFRA already publishes quarterly performance information and will continue to do so into the future. This is particularly important to ensure that the improvements in performance anticipated as a result of the Service Delivery Redesign implementation are being met and to reassure the public that changes to the fire service have not had an adverse impact on public safety. It enables the HFRA to be held to account by the communities it serves. In particular, Performance Review and Scrutiny Committee will monitor the delivery of the Service Delivery Redesign and Finance and General Purposes Committee will monitor the delivery of savings.

In submitting this efficiency plan the HFRA will also make a clear commitment to publishing an annual report on the progress of delivering the plan alongside the HFRA's statutory assurance statement. This will further enable local people to scrutinise progress as appropriate. The annual assurance statement can be found along with other performance information at:

<http://www.hantsfire.gov.uk/how-we-are-performing/>



Rt Hon Mike Penning MP
Minister for Policing, Fire,
Criminal Justice and Victims

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www.gov.uk/home-office

24 May, 2016

Dear Fire Authority Chair,

Fire and Rescue Authorities' Efficiency Plans

As announced last year, the Government is offering single purpose Fire and Rescue Authorities firm four-year funding allocations to 2019-20 in return for robust and transparent efficiency plans. This will provide funding certainty and stability to enable more proactive planning of service delivery and to support strategic collaboration with local partners.

I am offering flexibility to Fire and Rescue Authorities on the format of your efficiency plans, but it is important that they should be locally-owned and published in a way which allows for transparency and progress to be scrutinised by local people.

I have set out some requirements for applying to accept this offer in the attached annex. It remains open to any Fire and Rescue Authority not to apply, and to continue to work on the basis of year-by-year funding allocations.

If you wish to take up the offer of a firm four-year funding allocation to 2019-20 please email Firefunding@homeoffice.gsi.gov.uk by **5pm on Friday 14 October 2016** and include a link to your published efficiency plan. Please be aware that we reserve the right to publish such plans to enable greater transparency if needed. We will of course inform you if we intend to do so.

To assist us with the easy identification of key information on forecast income and savings, a simple template will be provided shortly which should be completed and returned to my officials. For further enquiries please contact harsha.thaker1@homeoffice.gsi.gov.uk in the Fire Strategy and Reform Unit.

I look forward to hearing from you if you would like to take up the offer.

A handwritten signature in black ink that reads "Mike Penning". Below the signature is a horizontal line.

Rt Hon Mike Penning MP

Annex

Conditions of the multi-year settlement

The Home Office will offer any Fire and Rescue Authority a four-year funding settlement to 2019-20, in return for a robust, transparent and locally owned efficiency plan.

Each efficiency plan should:-

- be published and easily accessible to the public on the fire and rescue authority's website, clearly stating what it contains;
- include the full 4 year period to 2019-20, and be open and transparent about the benefits the plan will bring to both the fire and rescue authority and the local community;
- demonstrate the level of cashable and non-cashable savings you expect to achieve through the Spending Review period, the timetable for delivery, and key risks and mitigation strategies;
- include the approach to increasing collaboration, including with the police and local public sector partners and in relation to procurement;
- demonstrate how more flexible working practices will be achieved, including more effective utilisation of retained firefighters;
- include a commitment to the publication of transparent performance information;
- include a clear strategy for the use of reserves; and
- include a commitment to publishing annual reports on the progress of the efficiency plan alongside the fire and rescue authority's statutory assurance statement, enabling local people to scrutinise progress.

Efficiency plans do not need to be a separate document. They can be combined with Medium Term Financial Strategies or the strategy set out in the guidance (<https://www.gov.uk/government/publications/guidance-on-flexible-use-of-capital-receipts>) on how you intend to make the most of capital receipt flexibilities if appropriate.

The Government is making a clear commitment to provide minimum allocations for each year of the Spending Review period, should authorities choose to accept this offer.

We reserve the right to publish efficiency plans.

Process for applying for the offer

Interest in accepting this offer will only be considered if a link to a published efficiency plan is received by 5pm Friday 14th October. We will provide confirmation of the offer shortly after the deadline.

Process for those who do not take up the offer

Those Fire and Rescue Authorities that choose not to accept the offer will be subject to the existing yearly process for determining the local government finance settlement. Allocations could be subject to additional reductions dependant on the fiscal climate and the need to make further savings to reduce the deficit.

Appendix B

Efficiency Plan Funding and Budget Assumptions 16/17 - 19/20

Fire and Rescue Authority						
(i) Funding Assumptions		2015-16	2016-17	2017-18	2018-19	2019-20
Settlement Funding Assessment						
Baseline Funding - Business Rates / Top Up						
RSG						
Settlement Funding Assessment Total						
Adjustment for Local Business Rate share (NNDR1) to DCLG Figure						
Council Tax Forecast						
Band D Council Tax (£)						
Actual / Assumed Council Tax base increase on previous year (£)						
Yearly Council Tax Precept Increase (£)						
Collection Fund (council tax & business rates) (£)						
Estimated Total Council Tax Income						
Council Tax Band D Precept Increase (%)						
Growth in Council Tax Base Yield to Previous Year (%)						
TOTAL						
(ii) Budget Assumptions		2015-16	2016-17	2017-18	2018-19	2019-20
Employee Cost Pressures (£'000)						
Pay Award						
<i>(please specify)</i>						
<i>(insert additional rows as appropriate)</i>						
Total Employee Costs						
Cost Pressures (£'000)						
<i>(please specify)</i>						
<i>(insert additional rows as appropriate)</i>						
Total Non Pay Bill Costs						
Revenue Expenditure Funded from Capital Receipts						
INCOME						
Section 31 Grants						
<i>(please specify)</i>						
<i>(insert additional rows as appropriate)</i>						
Other Service Income						
<i>(please specify)</i>						
<i>(insert additional rows as appropriate)</i>						
Total Income						
Budget Requirement						
Financial Challenge Before Efficiencies						
(iii) Efficiency Savings Assumptions (£'000)		2015-16	2016-17	2017-18	2018-19	2019-20
<i>(please specify)</i>						
<i>(insert additional rows as appropriate)</i>						
Total						
Forecast Net Position (surplus / deficit) after efficiency savings						
(iv) Capital		2015-16	2016-17	2017-18	2018-19	2019-20
Estimated Capital Expenditure (£'000)						
Capital Expenditure						
Capital Expenditure Financing						
Capital Receipts						
Reserves						
Government grants & other contributions						
Direct Revenue Contributions						
Unsupported / Prudential Borrowing						
(v) Estimated Financial Reserves Levels (£'000)		2015-16	2016-17	2017-18	2018-19	2019-20
General Fund Balance						
Earmarked General Fund Reserves						
Expected Use of Earmarked Reserves						

Phase 2 Savings

	Cumulative Budget Reductions				
	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Savings derived from fundamental review of budgets and underspends in previous years	2,531	2,542	2,542	2,542	2,542
Energy cost savings from installation of Solar PV and other measures	124	124	124	124	124
Savings from Shared Services Partnership with Hampshire County Council & Hampshire Constabulary	86	86	86	86	86
Savings from new Network Fire Control system	140	140	140	140	140
Savings from the introduction of provided vehicles for Fire Fighters	50	80	80	80	80
Contribution from wholly owned company - 3SFire Ltd	50	100	100	100	100
Estate Transformation including Police & Fire HQ	417	550	550	550	550
Professional Services Re-design	624	1,389	1,389	1,389	1,389
Service Delivery Re-design	-	975	975	3,427	4,100
Shared management arrangements with Isle of Wight Fire and Rescue Service	103	201	201	201	201
Reduction in budget for Retained Fire Fighters Pension Scheme	880	880	880	880	880
Total Phase 2 Savings	5,005	7,067	7,067	9,519	10,192

Remaining Estimated Funding Gap

	Funding Gap/(Surplus)				
	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Budget	64.56	63.02	64.56	63.35	63.72
Funded By	64.56	62.11	61.64	61.82	61.97
Funding Gap/(Surplus)	0	0.91	2.92	1.53	1.75

Notes:

1. The estimates above include phase 2 savings but not phase 3 savings.

Phase 3 Savings

	Cumulative Budget Reductions				
	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Savings from Shared Services Partnership - Procurement	-	160	160	160	160
Service Delivery Income Generation	342	575	630	900	900
Shared management arrangements with Isle of Wight Fire and Rescue Service	-	200	200	200	200
ICT Transformation	-	600	600	805	805
Fleet collaboration	20	101	101	101	101
Total Phase 3 Savings	362	1,636	1,691	2,166	2,166